ANNEXATION INITIATIVE AND 2005 PROPOSED REGIONAL AND LOCAL UNINCORPORATED KING COUNTY BUDGET

The Annexation Initiative – Moving Forward in the Second Year

Introduction and Overview

As part of the 2004 Adopted Budget, the Executive began a multi-year initiative promoting the accelerated annexation of the remaining urban areas in unincorporated King County. The Executive is proposing that the funding levels approved in the 2004 Adopted Budget for the Annexation Initiative be maintained in the 2005 Budget.

This chapter of the Executive's Proposed Budget provides an overview of the Annexation Initiative, describes the accomplishments of the Annexation Initiative's first year, details the focus of the Initiative for 2005, and sets forth proposed 2005 regional and local service expenditures and revenues for King County, including the allocation of expenditures and revenues in each of the ten largest remaining urban unincorporated areas.

The goal of the Annexation Initiative is to accelerate the pace of annexations and incorporations in urban unincorporated King County in order to:

- Achieve and fully implement the land use and service provider vision set forth in the regionally adopted Countywide Planning Policies (CPPs) as required by the State Growth Management Act (GMA). Specifically, the CPPs call for county government to be the regional and local rural service provider and for cities to be providers of local service in all urban areas—and for this transition to be accomplished by 2012.

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- Preserve the quality of local services to urban communities by transferring governance responsibility for these areas to cities which have greater ability to fund urban local services than does the county.

- Lower King County expenditures for local services in urban unincorporated King County, thereby providing additional revenues to support county regional and rural service budgets dependent on those same general county tax revenues.

The Annexation Initiative reflects a substantial commitment to the implementation of the State Growth Management and the Countywide Planning Policies. In addition, the Annexation Initiative is expected to create the opportunity for significant local urban service expenditure reductions for the Current Expense Fund (CX). These reductions will become possible as a result of significant decreases in local urban service responsibility occurring as cities become the local urban service provider for annexing or incorporating areas.

Currently, unincorporated areas do not generate sufficient local revenues for King County to cover the cost of providing local services through the county's General Fund. The decision to preserve the rural character of the rural unincorporated area adopted in the CPPs acknowledges the need for a regional subsidy of local rural services given the attendant restrictions on growth and development in rural areas. However, the subsidization of local services in the urban area, whether such a subsidy exists, how much it is, and what to do about it, has been a long standing source of conflict between cities and King County. Regardless of one's position with respect to the commonly called "urban subsidy," it is clearly the case that a significant reduction in local service responsibility for King County will create the possibility, if answered by corresponding local service budget reductions, of significant budget relief for other regional and rural services supported through the CX Fund.

The Executive's proposed 2005 Current Expense budget for local services in the unincorporated area, summarized in Table 1 below, illustrates that there is a substantial annual application of regionally generated general county revenues to support local service expenditures in both urban and rural areas.

Table 1: General Fund Summary
2005 Local Unincorporated King County Area Services

General Fund	Total UKC	Total Urban Local	Total Rural Local
Revenues	36.4	25.3	11.1
Expenditures	71.9	47.5	24.5
2005 Allocation of Reserve Obligations	19.0	15.4	3.6
Ending Fund Balance including reserve	(54.4)	(37.5)	(16.9)

As shown in Table 1, the Executive is proposing a CX incorporated area local service budget of $71.9 million for 2005 (not including one time reserve liabilities[1]) supported by local CX revenues totaling $36.4 million. Urban unincorporated expenditures are estimated at nearly $47.5 million with supporting revenues at $25.4 million *resulting in $22 million of regionally-collected county revenues to fund local urban services and over $37.5 million of regional revenue when one time liabilities are included*. This level of subsidy, calculated at $37.5 million, is comparable to a re-estimated $34 million "urban subsidy" identified in the 2004 Proposed Budget.[2] The level of regional county revenues necessary to provide local urban services continues to be significant and represents resources that otherwise could be available to stabilize King County's provision of mandated regional and rural services as discussed below.

How significant is the potential budget relief to the CX fund if the Annexation Initiative is successful? Assuming an 80 percent rate of corresponding budget cuts as service responsibility

[1] Designated and undesignated reserves are identified in the financial plans for nearly all King County Funds. Generally, the purpose of the reserve is to identify anticipated financial obligation for which there is not yet a corresponding active appropriation. A portion of the reserves was included in the calculation of the local unincorporated area revenue shortfall in 2004 and is reflected in the 2005 data as well. For purposes of the proposed 2005 local unincorporated budget, approximately $19 million has been identified as anticipated financial obligations attributable to the local urban unincorporated areas and includes the $10 million Allocation Incentive Reserve within the Current Expense Fund.

[2] 2004 data must be recast to accurately compare with 2005 estimates as a result of the changes in Current Expense fund management which combined the CJ fund within the Current Expense fund. Based on this change, the 2004 CX urban local service deficit would be $33.1 million as opposed to $37.2 million presented in 2004. Though inclusion of the CJ fund in effect credits additional revenues to the unincorporated area at approximately $4 million less expenditures, this amount is more than offset by the allocation of additional reserve obligations.

is transferred to cities,[3] based on 2005 expenditure and revenue estimates, a complete transition of the major urban areas to city status in 2005 would result in an immediate annual CX savings of over $13.6 million.

The transition of urban areas to city status will not be accomplished in a single year. Realized annual savings depend upon which areas are removed from county responsibility and what corresponding budget cuts are made as a result. While the county does not control the decisions of cities or residents to annex or incorporate, staff efforts in 2005 will focus on the three largest remaining urban unincorporated areas: North Highline, Juanita, and Fairwood-Petrovitsky. The potential annual benefit resulting from transference of the three areas to city status in 2007 or 2008, could be nearly $7.9 million on an annual basis.[4]

The success of the Annexation Initiative is dependent on several factors. Foremost are the support of cities and the residents of urban unincorporated areas: they control the decisions to annex or incorporate. The county will seek to promote and encourage these transitions. The county's responsibility, in turn, is to either reduce local urban service budgets as transitions occur or to provide new contract services at full cost recovery in these areas. A critical, internal challenge relates to overhead charges, and the ability of the county to make savings in these charges as areas transition to cities. While the challenges are multiple and complex, the Executive will continue to make implementation of the Annexation Initiative a priority in 2005, given both the significant financial benefits potentially generated to the county's Current Expense Fund, and the substantial progress in meeting the goals of the State Growth Management Act and the CPPs.

The Annexation Initiative: First Year Progress

With the commencement of the Annexation Initiative in 2004, the Executive has engaged the region and impacted cities and communities individually, as to the importance of accelerating the pace of annexations and incorporations. New interest by cities in considering annexation (or incorporation) of the West Hill and Highline/Boulevard Park/White Center areas are notable steps forward resulting from the past year's efforts. In addition, King County's legislative work in Olympia to raise the visibility of the annexation issue has increased the understanding of the obstacles to accelerated annexations and incorporations and resulted in approval of a state study on annexation challenges. This study will be completed in November 2004 and will serve as a basis for future state-level dialog.

In July of 2004, the Executive transmitted a detailed report on the Annexation Initiative to the Metropolitan King County Council setting forth:

- an overview of King County's budget crisis and how the Initiative responds to that crisis;
- the status and challenge of implementing the region's land use vision;

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[3] This rate assumes that some costs—particularly overhead—may not be able to be cut dollar for dollar as direct services are cut. The estimated savings methodology assumes realizing 80 percent savings rate based on 2005 proposed expenditures less revenues. The allocation of one time liabilities shown as reserves in the Current Expense Financial Plan are **not** included in the calculation of ongoing savings.

[4] Again assuming an 80 percent savings rate based on 2005 proposed expenditures less revenues and does not include one reserve liabilities.

- fiscal analysis of costs and revenues associated with the major urban unincorporated areas;
- the proposed policy framework regarding the vision, goals, allocation of funding, and negotiating principles for the Initiative; and
- the implementation plan for the Initiative, including the management plan, organizational structure, and Year 2004, 2005, 2006 work plan objectives and tasks.

In response to this report, the council adopted Motion No. 12018 on September 27, 2004 approving the vision, goals and policies to guide the Initiative, as well as the 2005 work plan.

The Annexation Initiative:
Second Year – Dialog with Cities and Residents and Transition Planning

The second year of the Annexation Initiative will build on 2004 progress in working with cities and unincorporated communities to identify the best alternatives for city-based governance. In early or mid-2005, several key annexations and incorporation studies will be completed which should result in near-term decisions to annex or incorporate. Wherever cities are willing to sit down with the county for such a purpose, annexation interlocal agreement negotiations will commence. In concert with willing cities, the Executive will continue to engage in targeted outreach to communities to promote annexation.

Motion No. 12018 directs that the allocation of annexation incentive funds reflect achievable savings to the General Fund facilitated by that annexation or incorporation. Fulfilling this requirement necessitates significant effort to identify the specific financial and operational consequences for each county department providing local urban services that will occur upon annexation or incorporation of any or all of the remaining unincorporated urban areas. Effort will first focus on the areas of North Highline/Boulevard Park/White Center; Finn Hill/Juanita, and Fairwood-Petrovitsky, as well as any other areas for which there are ongoing negotiations.

The county must further develop plans to offer competitive contract services to cities following annexation or incorporation. These plans must incorporate full-cost recovery for the county. Transition planning must also thoroughly examine the impact of decreased levels of direct service provision on departmental overhead, countywide overhead, and internal service fund expenditures. The challenge will be to identify maximum practicable savings in overhead as direct service expenditures are reduced. Securing overhead savings is critical not only in terms of competing to provide new contract services, but also to remaining competitive in the delivery of *existing* contract services.

As has been noted, ***achievable savings*** from transitioning unincorporated areas to city status are unlikely to equal the cost of local services for such areas. A key part of the 2005 work effort will be to further refine direct service and overhead costs attributable to each of the major urban unincorporated areas and to estimate the savings possible following annexation or incorporation. It is important to understand that many of these areas are served with shared resources for improved program efficiency. For example, a fixed number of sheriff deputies may patrol an unincorporated area that includes an annexation area, however if the annexation area transitions, the same number of deputies may be required to serve the balance of territory and limited savings are achievable. Overhead costs may exhibit similar inflexibility.

Continuing Commitment to Urban Unincorporated King County

The Executive is committed to continuing investment in the urban unincorporated areas in a manner that supports the Annexation Initiative. Despite significant budgetary cuts in recent years, King County has continued to invest in urban unincorporated infrastructure. King County will continue to make strategic investments in those communities with the intention of increasing economic activity and preservation of infrastructure for those areas through implementation of the various departmental six-year capital improvement programs. In 2005, the Executive will work more closely to coordinate the capital improvement programs with the annexation and incorporation discussions.

2005 Regional, Contract, and Local Expenditures and Revenues by Key Fund

Since 2003, the Executive's Proposed Budgets have highlighted revenues and expenditures for the unincorporated areas. Each year, the methodology and quality of the data have been refined and improved. Four significant changes in methodology were undertaken in 2004: 1) all local services were considered; 2) the analysis was segregated by fund type reflecting that many county revenues are not fungible; 3) projects were scrutinized as to their local versus regional benefit and 4) local expenditures were further split to identify rural versus urban components.

2005 CX analysis incorporates a greater degree of accuracy than prior years. This year, significant effort was made to improve the allocation model for law, justice and public safety costs based on work load indicators by geographical area. In addition, the analysis was extended to examine revenues and expenditures by the ten major urban unincorporated areas. No major adjustments to the revenue methodology were made as compared to 2004; geographic databases provide highly accurate revenue data.

In the 2004 proposed budget, seven county funds (Current Expense, Criminal Justice; Road Fund, REET 1 & 2; Water and Land Resources, Department of Development and Environmental Services, and the Parks Fund) with significant local service responsibilities were put forward. With the absorption of the Criminal Justice Fund into the Current Expense Fund, six funds are included this year. For comparison purposes, to make the information comparable, for CX and the CJ funds, the data has been combined together to compare with the 2005 update. Appendix A presents the 2005 Proposed Regional and Local Revenues, Contracts & Grants, and Expenditures Analysis in detail.

For each of the six funds shown in Appendix A, the revenues and expenditures shown are allocated to the regional, contract and grants, and unincorporated area categories. An imbalance results when local revenues and expenditures do not match. *For all but one fund, the revenues and expenditures balance: the fund out of balance is the CX Fund.*

As Table 2 details, the county's general fund is the only fund that shows a deficit for local service budgets. Based on the 2005 calculations, the imbalance is estimated at $37.6 million when one time reserve obligations are considered and $22.2 million when focusing on ongoing annual expenditures and revenues. In 2003, when the general fund local revenue and expenditure analysis was first presented as part of the Executive's proposed budget, the data illustrated an imbalance between local revenues and local services estimated at $41.3 million for the Current Expense fund. In 2004, the imbalance was calculated at $37.2 million.[5] The other important aspect of Table 2 is the magnitude of current contract service obligations. These constitute a significant portion of the local urban service work currently performed by county departments. It will be important to address the continued competitiveness of the county as contract service provider as the Initiative proceeds.

Table 2: 2005 Regional, Contract, and Local Budget Allocation CX Fund (in millions)

General Fund	General Fund Total	Regional Services	Contract and Grant Services	Local Services (total)	Urban Local Services	Rural Local Services
Beginning Fund Balance	87.8	87.8	-	-	-	-
Revenues	538.31	409.9	92.0	36.4	25.3	11.1
Expenditures	(538.8)	(375.7)	(91.2)	(71.9)	(47.5)	(24.5)
ongoing annual surplus/(deficit) and no reserves	(.5)	122	.80	(35.5)	(22.2)	(13.3)
Designated Reserves	(59.5)	(39.7)	(.9)	(19.0)	(15.4)	(3.6)
Ending Undesignated Fund Balance	27.8*	82.3**	(.1)	(54.5)	(37.6)	(16.9)

* Balance after designated reserves to meet the six percent reserve requirement
** Balance can be broken into $27.8 million to meet six percent reserve requirement and $54.5 million for unincorporated local services shortfall

The balance sheet above shows that the $36.4 million in anticipated 2005 local revenues collected for the unincorporated area do not fully pay for the $71.9 million in proposed expenditures and $19 million in reserves. The revenue shortfall of $54.5 million is comprised of two parts: $37.6 million estimated for the urban area and $16.9 million in the rural area. This revenue shortfall is made to "balance" with the reallocation of *regional revenues* to the unincorporated area category, thus reducing the amount of money available for regional services.

[5] As discussed in Footnote 2, for comparison purposes, the 2004 urban local service shortfall was re-estimated at approximately $34 million to account for a change in fund management and appropriate comparison to the 2005 calculation. In 2003, the unincorporated shortfall was estimated at $41.2 million, based on aggregating the analysis of fewer funds. When those same funds were combined for comparison to the 2004 original calculation, the shortfall was estimated at $37.2 million. The reduction in the overall subsidy presented in the proposed budgets for 2003 and 2004 was primarily caused by a refinement in the allocation of CX expenditures, particularly those for Law, Safety and Justice services (more expenditures identified as regional in nature than previously) and the establishment of a separate Parks fund with a significantly smaller budget than prior years, largely supported through the 2003 regional and rural parks levy.

Financial Analysis by Major Urban Potential Annexation Area

Extending the analysis to individual urban unincorporated areas is a major step forward in the 2005 proposed budget. Allocation of revenues and expenditure to these areas using 2004 data was provided in the Annexation Initiative Report to the Metropolitan King County Council in August 2004. As previously noted, the 2005 data is improved over that presented for 2004 by inclusion of additional geographic-based workload estimates—particularly for law, safety and justice agencies-- as opposed to population-based "proxies" for costs that were largely employed in the 2004 analysis.

Table 3: 2005 General Fund Major Urban PAA Local Revenues and Revenues Analysis

Major Urban PAA	2005 Estimated Local Revenue	2005 Proposed Local Expenditures	balance
North Highline	4.25	(11.14)	(6.90)
Juanita	3.17	(6.38)	(3.21)
Fairwood/Petrovitsky	4.92	(7.82)	(2.90)
East Federal Way	1.71	(4.14)	(2.43)
Kent NE	1.78	(4.05)	(2.27)
West Hill	2.59	(4.79)	(2.21)
Klahanie	0.78	(1.60)	(0.82)
Renton East	0.59	(1.40)	(0.81)
Lea Hill	1.16	(1.83)	(0.68)
Eastgate	0.60	(0.82)	(0.22)
Other Urban Islands	3.73	(3.48)	0.25
TOTAL Urban Uni. KC	**25.3**	**(47.5)**	**(22.2)**

As the above table shows, estimated expenditures for the the North Highline, Juanita, and Fairwood-Petrovitsky areas, subtotaling nearly $25 million, constitute over half of the county's expenditures and revenues for local services in the Current Expense fund. These areas represent 54 percent of the population of the major urban unincorporated areas and 47 percent of the geographical area. The communities in these areas are actively participating in discussions with the Executive and adjacent cities about governance options. Successful annexation or incorporation for these areas alone would present marked progress towards implementation of the State Growth Management Act and offer substantial opportunities for creating savings within the Current Expense Fund. It is important to note that estimated costs are unlikely to equal actual savings as these costs figures include fixed and indirect costs that will not necessarily go away with changes in local service provision.

Appendix D provides the detailed analysis of proposed 2005 revenues and expenditures for the ten major urban unincorporated areas by the six highlighted funds. At the total fund level, all funds are in balance; however, when revenues and expenditures are attributed to both service type – regional or local -- and geographical area, imbalances emerge. As the level of analysis becomes more focused, it is evident that sometimes one revenue source supports the expenditures of a different geographical area. This observation of "cross area" subsidy is quite pronounced in the PAA level data, but countywide, one can expect revenues to flow from one area to another—given the disparity of revenue-production from area to area. The flow of revenue outside the area it is generated in is a common practice in all levels of government in order to provide a consistent set of services and infrastructure to all residents. The analysis is further complicated on the expenditure side, as the large size of capital investments made in an area in any one year can significantly distort the picture of "balance" or "imbalance." A multiple year analysis would thus be much more informative, but given data limitations, is simply not available at this time.

Costs to Provide Local Services in Urban Unincorporated versus Potential Savings

As discussed earlier, the potential savings resulting from accelerated annexations and incorporations will in all likelihood be less then the estimated costs of providing local services. Given that many of the county's overhead structures are relatively inflexible, it is probably not possible in the short term to eliminate all overhead expenditures associated with local urban service delivery as areas transition to city status. A major challenge will be how to reduce overhead be it, departmental, general county, or internal service fund. A key effort in 2005 will be to determine the level of achievable savings for the Current Expense Fund as a result of the annexation initiative.

Attaining this level of Current Expense savings will require more in-depth analysis, difficult budget choices, and long term fiscal discipline. At the same time, several non-CX funds such as the County Road fund, Surface Water Management fund, Real Estate Excise Tax funds, and the Development and Environmental Services fund will likely experience significant changes in their underlying revenue streams as a result of annexations and incorporations if contract services are not maintained and further expanded in response to the loss of direct service responsibilities. While net benefits are achievable in the CX fund, these gains must be accomplished in a manner that upholds prudent operational and financial planning for the county programs with continued service obligations in the rural area. Preserving the financial viability for the County's remaining rural service responsibilities will be a concurrent objective to identifying cost savings for the General Fund as transition plans are developed in 2005.

Successful implementation of the Annexation Initiative will be challenging and time consuming. The transfer of these areas to city status will occur over multiple years complicating efficient delivery of services to remaining areas. The fiscal implications for department and county overhead and internal service funds will overall result in savings as workload is decreased, but can also result in cost increases as fixed costs are spread over fewer agencies. Despite the challenge, the options for addressing the structural budget gap are limited and this work must be pursued because if successful, the savings over time to the CX Fund may be dramatic.

Appendix A: 2005 Proposed Regional and Local Revenues, Contracts & Grants, and Expenditures Analysis

A. Methodology for Preparing Balance Sheets for Key Fund with Regional and Local Service Obligations and the urban PAA revenue and expenditure estimation

Revenues and expenditures for each of the six funds were assigned to one of the following categories: (1) regional; (2) contracts and grants; (3) unincorporated *urban l*ocal; and (4) unincorporated *rural* local. Because there are legal restrictions regarding the ability to co-mingle revenues and expenditures between funds, each fund must prepare its own "balance" sheet combining its own revenues and expenditures.[6] There are multiple layers of detail supporting each balance sheet. At the highest level of summary, the balance sheet reports how much revenue the fund starts the year with (i.e. the "beginning fund balance"), the estimated revenues for the year, the estimated expenditures for the year, the amount held in reserve for anticipated expenditures, and the final result: the "Undesignated Fund Balance." The Undesignated Fund Balance must be positive indicating the revenues available during the year exceed the planned and anticipated expenditures.

For 2005, additional changes were made to the data to reflect the inclusion of the Criminal Justice Fund expenditures and revenues into the Current Expense fund.

The County provides local services to unincorporated area residents. The local services are:

- *Law, Safety & Justice services:* Local law enforcement; certain district court services, fire investigation and code enforcement and emergency management services
- *Human & Health services*: Senior services, community services and indigent defense services
- *Parks, Roads & Permitting*: Local parks; road construction and maintenance; transportation planning and concurrency
- *General Government:* the Council, the Executive, finance, budgeting and human resource management.
- *Surface Water Management Services:* storm water services; salmon recovery

King County departments were directed to identify the regional, contract, and local-urban and local-rural costs and revenues for all program budgets as part of the 2005 proposed budget development process. The estimation of regional, contract and local service budgets was based on that analytical exercise. The analysis was then applied to the major urban potential annexation areas based on a variety of indicators ranging from geographically based work load indicators to population.

[6] The 2003 proposed budget prepared a very general financial plan merging all reported funds. As this gave a false impression that the moneys could be co-mingled among the funds, separate balance sheets were presented for 2004 and continued for 2005.

C. Revenue Estimate Methodology

The revenue methodology developed for the 2004 Proposed Budget was updated for 2005 using revenue inflation factors used in the financial plans for each fund. The underlying approach was not changed.

Property Tax

2002 Assessment Data, used to calculate 2003 tax liability, were used to prepare unincorporated area levy revenue estimates. Each parcel in unincorporated King County was geocoded, geographically placed at a point relative to the urban growth boundary. Assessed valuation for 2004 tax collections was projected using 2003 actuals and building permit activity. This approach was also undertaken to allocate Leasehold Excise Tax revenue.

Real Estate Excise Tax

A complete database or taxable real estate transactions was constructed for 2000, 2001, 2002, and the first six months of 2003, including the taxable amount and parcel number. Data was cross-referenced with the geocoded 2002 Assessment file to identify the geographic pattern of REET tax collections. 2004 revenue was projected using the REET forecasting model, which predicts future revenue levels based on historic collections and economic indicators, including prevailing interest rates and aggregate housing demand. The 2004 revenue forecast was matched the geographic pattern of tax collections, omitting unusual tax payments (such as two exceptionally large timber land transactions), to project REET revenue levels relative to the urban growth boundary.

Sales Tax

Taxable retail sales were analyzed through the county's sales tax database of state combined excise tax returns. Given the complexities of local option sales tax revenue assignment, a multi-tiered approach was undertaken to properly credit taxable retail sales. Retail establishments, and sales tax filers that reported addresses within unincorporated King County, or had an ascertainable address through telephone directory or Internet searches, were directly geocoded. Receipts from certain industrial classifications were assigned by appropriate demographic factors. Wireless telephone revenue was allocated according to population, automobile and car/vessel registrations according to income-weighted population, construction according to building permits, and business services according to the number of businesses, adjusted by the average number of employees. In total, 39 percent of sales tax revenue was allocated through automatic or manual geocoding and another 47 percent by industrial classification. The residual, consisting of smaller establishments with little to no tax liability, was allocated proportionately to other sales tax receipts.

Gambling Taxes

Revenue from each of the county's licensed gambling establishments was geocoded according to business location.

Pet Licenses

Zip+4 data reported on each new or renewal application for a pet license in 2002 was geocoded, resulting in the address of each licensee being geographically placed at a point relative to the urban growth boundary.

Other Revenues
Other revenues were generally allocated on the basis of population or personal income. In some cases, like the Liquor Excise Tax and Liquor Control Board Profits, this was done to mirror the state distribution formula for that revenue. In other cases, like the Motor Vehicle Fuel Tax, this approach was undertaken as a proxy for more complex and less easily replicated state distribution formula.

Appendix B: 2005 Proposed Regional and Local Revenues, Contracts & Grants, and Expenditures Analysis

Millions $	2005 Proposed	Regional	Contract & Grants	Total UKC	Urban UKC	Rural UKC
SURFACE WATER MGT & RURAL DRAINAGE (1210, 1211)						
Beginning Fund Balance	1.585	.732	.078	.776	.329	.447
Revenues	42.586	2.906	18.793	20.888	10.979	9.908
Expenditures	(43.961)	(1.519)	(20.718)	(21.724)	(9.044)	(12.680)
Ending Fund Balance	.211	2.119	(1.847)	(.061)	2.264	(2.325)
Other Fund Transactions	.500	.203	.022	.276	.091	.184
Ending UD Fund Balance	.711	2.322	(1.826)	.215	2.355	(2.140)
DEVELOPMENT & ENVIRONMENTAL SERVICES FUND (1340)						
Beginning Fund Balance	7.91			7.91	4.35	3.56
Revenues	32.14			32.14	17.67	14.46
Expenditures	(29.37)			(29.37)	(16.16)	(13.22)
Reserves	(3.53)			(3.53)	(1.94)	(1.59)
Ending Undesignated Fund Balance	7.14			7.14	3.93	3.21
PARKS & RECREATION (1450)						
BFB	1.27	.95		.33	.22	.11
Revenues	20.60	15.10		5.30	3.50	1.99
Expenditures	(20.53)	(14.86)		(5.68)	(3.55)	(2.12)
Other Fund Transactions	.41	.30		.11	.07	.04
Ending Fund Balance	1.75	1.69		.06	.23	.30
REET 1 & 2						
Beginning Fund Balance	8.79	0.00		8.79	6.30	2.49
Revenues	10.22			10.22	7.33	2.89
Expenditures	(15.88)	(15.74)	(.35)	(.20)	(.57)	(.37)
Ending Fund Balance	3.12	(15.74)	(.35)	19.21	14.20	5.01
Reserves	(2.00)	0.00	0.00	(2.00)	(2.00)	0.00
Ending Undesignated Fund Balance	1.12	(15.74)	(.35)	17.21	12.20	5.01
COUNTY ROAD FUND(000001030)						
Beginning Fund Balance	.81	.01	.11	.69	.36	.33

Revenues	157.62	8.88	14.02	134.72	68.15	66.57
Expenditures	(157.60)	(12.21)	(13.38)	(132.01)	(71.48)	(60.52)
Other Fund Transactions	.67	.01	.09	.58	.44	.14
Ending Fund Balance	1.50	(3.32)	.84	3.98	(2.53)	6.51

Appendix D: 2005 Urban Unincorporated Area Local Service Revenues and Expenditures by Major Urban Potential Annexation Area

2005 General Fund Local Service Revenues and Expenditures by Major Urban Potential Annexation Area
(includes CJ sales tax revenues)

	Klahanie	**Eastgate**	**North Highline**	**Renton East**	**Lea Hill**	**West Hill**	**Kent NE**	**Juanita**	**East Federal Way**	**Fairwood-Petrovitsky**	**Other Urban Islands**	**Total**
Beginning Fund Balance	-	-	-	-	-	-	-	-	-	-	-	-
Local Revenues	781	601	4,249	595	1,159	2,589	1,782	3,167	1,713	4,915	3,735	25,286
Capital Improvement Program	(40)	(17)	(120)	(28)	(36)	(53)	(86)	(121)	(74)	(154)	(74)	(803)
General Government	(141)	(60)	(418)	(98)	(124)	(184)	(300)	(419)	(256)	(536)	(258)	(2,794)
Health & Human Services	(99)	(42)	(295)	(69)	(87)	(130)	(212)	(295)	(180)	(378)	(182)	(1,970)
Law, Safety, & Justice	(1,072)	(591)	(9,571)	(1,035)	(1,367)	(4,102)	(2,919)	(4,804)	(3,178)	(5,802)	(2,513)	(36,953)
Other Agencies	(56)	(24)	(167)	(39)	(49)	(73)	(120)	(167)	(102)	(214)	(103)	(1,114)
Parks/DDES	(207)	(89)	(617)	(145)	(183)	(272)	(443)	(618)	(377)	(790)	(381)	(4,123)
Underexpenditures	14	06	43	10	13	19	31	43	26	55	27	288
Expenditures Total	(1,601)	(817)	(11,144)	(1,405)	(1,834)	(4,795)	(4,050)	(6,381)	(4,140)	(7,818)	(3,485)	(47,470)
ongoing annual surplus/(deficit)	*(820)*	*(216)*	*(6,895)*	*(810)*	*(676)*	*(2,206)*	*(2,268)*	*(3,214)*	*(2,428)*	*(2,902)*	*250*	*(22,184)*
Reserves & Other	776	332	2,309	543	685	1,017	1,659	2,315	1,412	2,958	1,426	15,431
2005 balance including one time reserve obligations	(1,596)	(548)	(9,204)	(1,353)	(1,361)	(3,222)	(3,927)	(5,529)	(3,840)	(5,860)	(1,176)	(37,616)

2005 Urban Unincorporated Area Local Service Revenues and Expenditures by Major Potential Annexation Area (non CX funds)

	Klahanie	Eastgate	North Highline	Renton East	Lea Hill	West Hill	Kent NE	Juanita	East Federal Way	Fairwood-Petrovitsky	Other Urban Islands	Total Urban
SURFACE WATER MGT & RURAL DRAINAGE (1210, 1211)												
Beginning Fund Balance	17	07	49	12	15	22	35	49	30	63	30	329
Revenues	553	236	1,644	387	488	724	1,181	1,648	1,005	2,106	1,009	10,979
Expenditures	(455)	(194)	(1,353)	(318)	(402)	(596)	(972)	(1,357)	(828)	(1,734)	(836)	9,044
Ending Fund Balance	114	49	340	80	101	150	244	341	208	435	203	2,264
Other Fund Transactions	05	02	14	03	04	06	10	14	08	17	08	91
Ending UD Fund Balance	119	51	353	83	105	156	254	354	216	453	211	2,355
DEVELOPMENT & ENVIRONMENTAL SERVICES FUND (1340)												
Beginning Fund Balance	219	94	651	153	193	287	468	652	398	834	402	4,349
Revenues	889	380	2,644	622	785	1,165	1,900	2,651	1,617	3,388	1,633	17,675
Expenditures	(813)	(347)	(2,417)	(569)	(717)	(1,065)	(1,737)	(2,423)	(1,478)	(3,097)	(1,493)	(16,156)
Reserves	(98)	(42)	(290)	(68)	(86)	(128)	(208)	(291)	(177)	(372)	(179)	(1,939)
Ending Undesignated Fund Balance	198	84	588	138	174	259	422	589	360	753	362	3,928

Millions $	Klahanie	Eastgate	North Highline	Renton East	Lea Hill	West Hill	Kent NE	Juanita	East Federal Way	Fairwood-Petrovitsky	Other Urban Islands	Total Urban
PARKS & RECREATION (1450)												
Beginning Fund Balance	11	05	32	08	10	14	23	32	20	41	20	216
Revenues	176	75	523	123	155	230	376	524	320	670	323	3,496
Expenditures	(119)	(54)	(1,161)	(840)	(17)	(86)	(151)	(236)	(468)	(90)	(327)	(3,551)
Other Fund Transactions	02	01	23	17	00	02	03	05	09	02	07	71
Ending Fund Balance	70	27	(582)	(693)	148	160	251	325	(119)	624	22	232
REET 1 & 2												
Beginning Fund Balance	317	136	943	222	280	415	678	946	577	1,208	582	6,304
Revenues	530	221	598	192	326	301	587	1,314	584	1,349	1,327	7,330
Expenditures	0	0	(569)	0	0	0	0	0	0	0	0	(569)
Ending Fund Balance	847	356	2,110	414	606	717	1,264	2,260	1,161	2,558	1,909	14,203
Reserves	(101)	(43)	(299)	(70)	(89)	(132)	(215)	(300)	(183)	(383)	(185)	(2,000)
Ending Undesignated Fund Balance	747	313	1,811	344	517	585	1,049	1,960	978	2,174	1,725	12,203
COUNTY ROAD FUND(000001030)	0	0	0	0	0	0	0	0	0	0	0	0
Beginning Fund Balance	20	10	37	12	17	20	30	61	28	60	66	360
Revenues	3,337	888	7,163	2,979	3,041	3,853	4,280	8,418	5,016	10,027	19,153	68,154
Expenditures	(3,198)	(732)	(9,857)	(3,146)	(3,066)	(4,502)	(5,747)	(8,082)	(6,002)	(11,837)	(15,314)	(71,484)
OFT's	22	09	65	15	19	29	47	66	40	84	40	437
Ending Fund Balance	181	174	(2,593)	(139)	12	(600)	(1,390)	462	(919)	(1,666)	3,945	(2,533)

Appendix E: General Information for Major Urban Potential Annexation Areas

The remaining large unincorporated areas (for ease of reference, collectively called PAAs herein) range in size from as small as 1.2 square miles to as large as 10.7 miles. The population of some of these PAAs exceeds the populations of many existing cities within King County. Combined, the population of the 10 largest PAAs is equivalent to what would be the second largest city in Washington State. Eight of the 10 PAAs and the rural area have median incomes well in excess of the County's median household income of $53,200. The PAAs represent a mix of well-established neighborhoods built many years ago and newly developed areas with relatively new infrastructure. Both the service needs and infrastructure requirements vary among these areas. Similarly, the attitude of residents towards annexation is also diverse among these areas.

Area	Annexing City	Sq. Miles	Population – Estimated 2004 Population	Median Household Income – 2000 Census
East Federal Way	Federal Way	7.9	21,500	$62,400
East Renton	Renton	3.3	7,500	$65,300
Eastgate	Bellevue	1.2	4,600	$65,600
Fairwood	Renton	10.7	41,500	$58,000
Kent Northeast	Kent	5.5	23,300	$65,700
Kirkland	Kirkland	6.9	32,600	$69,800
Klahanie	Issaquah	1.9	11,000	$84,700
Lea Hill	Auburn	4.3	8,500	$65,700
North Highline	None	6.2	32,500	$39,950
West Hill	None	3.2	14,200	$47,385
"Other" urban area			20,600	

Rural Area	None	1,673	138,000	$73,400